



Comptroller General
of the United States

Washington, D.C. 20548

145612

Decision

Matter of: Suffield Service Co.

File: B-245579

Date: January 13, 1992

Byron Hazlett for the protester.
John M. Cummins, Esq., and Paul M. Fisher, Esq., Department of the Navy, for the agency.
Henry J. Gorczycki, Esq., and James A. Spangenberg, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

Low bid, which fails to properly extend unit markup prices for certain line items as contemplated by the invitation for bids, was properly rejected, where a proper computation of these extended prices under the most reasonable interpretation of the bid causes that bid to no longer be low.

DECISION

Suffield Service Co. protests the award of the contract to Springfield Service Co. under invitation for bids (IFB) No. N62474-91-C-1716 issued by the Department of the Navy for maintenance of jet engine air start systems at the Naval Air Station, Point Mugu, California.

We deny the protest.

The Navy requested bids on a base period and four 1-year options. Award was to be made to the lowest bidder for the sum of all items. The IFB requested that bidders provide fixed prices for the basic maintenance work to be provided during the base and option periods, as well as prices for three items of indefinite quantity work for the base and each option period. The three indefinite quantity line items for each period were: (1) maintenance mechanic; (2) maintenance electrician; and (3) material/supplies. For the two indefinite quantity service employee items, the IFB

provided an estimated number of "craft hours" and solicited unit and extended prices for each item. For the indefinite quantity "material/supplies" items,¹ the IFB specified a lot dollar amount and solicited a "percentage markup or discount" and an extended price. The stated estimated lot amount for the material/supplies item was \$11,670 for the base period and \$35,000 for each option period.

Bids were opened on May 10, 1991. Suffield submitted the apparent low bid in the amount of \$702,109, while Springfield's bid was \$827,874.

Upon examination of the bids, the Navy discovered apparent calculation errors in both Suffield's and Springfield's bids. Springfield's bid reflected a single addition mistake; as corrected, its bid decreased by \$100 to \$827,774. Suffield's bid reflected an apparent error in the material/supplies line items. Suffield's bid for these items was:

<u>Line Item</u>	<u>Lot Price</u>	<u>% Markup</u>	<u>Extended Price</u>
0002AC	\$11,670	10%	\$1,167
0012AC	35,000	0%	-0-
0022AC	35,000	0%	-0-
0032AC	35,000	0%	-0-
0042AC	35,000	0%	-0-

The Navy interpreted the IFB to require that the percentage markup would be added to the pre-established lot price stated in the IFB to arrive at the extended price for the line item.² The Navy determined that Suffield's extended prices for the material/supplies line items were miscalculated. The Navy determined that if the prices for these

¹The materials/supplies item was designated 0002AC for the base period, and 0012AC, 0022AC, 0032AC, and 0042AC, respectively, for the option periods.

²Springfield's bid for these line items was:

<u>Line Item</u>	<u>Lot Amount</u>	<u>% Markup</u>	<u>Extended Price</u>
0002AC	\$11,670	0%	\$11,670
0012AC	35,000	0%	35,000
0022AC	35,000	0%	35,000
0032AC	35,000	0%	35,000
0042AC	35,000	0%	35,000

five items had been properly extended, Suffield's bid would have increased by \$151,670 to \$853,779, which would make Suffield no longer the low bidder.

The Navy sent each bidder a letter indicating what the Navy believed was the intended bid, and requested verification of the corrected bid prices. Springfield verified its corrected bid price. Suffield claimed that its bid of \$702,109 was correct as originally submitted. The Navy determined that Suffield's bid price, as corrected, represented the only reasonable interpretation of the bid. Since under this interpretation Springfield was the low bidder, award was made to Springfield. Suffield argues that its verified bid was low and that it should have been awarded the contract.

We find the Navy's interpretation of Suffield's bid price to be the most reasonable interpretation of Suffield's bid. The IFB provided the material/supplies lot prices for the base and option periods, which was the estimated cost of the material/supplies that the Navy anticipated would be required during each period, and requested a markup as a percentage of the lot price. The requested extended price necessarily had to include the lot price plus or minus the markup. In this regard, "markup," which is usually expressed as a percentage, is an amount a supplier adds to the cost of materials to be provided to a customer in order to determine the price that the supplier will charge the customer for those materials. Webster's Third New International Dictionary, Unabridged 1383 (1966). Additionally, the IFB provided:

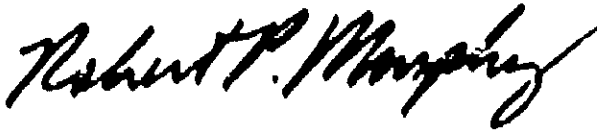

"B.2 CONTRACT LINE ITEMS:

b. In the event there is a difference between a unit price and the extended total amount, the unit price will be held to be the intended bid and the total will be recomputed accordingly. . . ."

Suffield's bid provided the dollar value of the markup in the space provided for the extended price, instead of the total of the estimated cost and the markup as contemplated by the IFB, and thus it did not provide extended totals for the material/supplies line items. Since bid evaluation was to be based on extended total prices, the Navy simply calculated extended prices from the unit measures provided by the IFB, i.e., the lot amounts, and the markup in Suffield's bid. This calculation represents no more than what logically was intended by the bidder in accordance with the IFB pricing format.

Where it is reasonably clear that a mistake has been made, the bid cannot be accepted, even if the bidder verifies the bid price, denies the existence of a mistake, or seeks to waive an admitted mistake, unless it is clear that the bid, both as submitted and as logically intended, would remain low.⁴ Duro Paper Bag Mfg. Co., supra. Since Suffield's bid, as logically interpreted, is not low, the bid was required to be rejected.

The protest is denied.


 James F. Hinchman
General Counsel

⁴Acceptance of obviously erroneous bids would adversely affect the competitive bidding system because the apparent low bidder, upon viewing the competitors' bids at public opening, would have the option to stand by its bid, withdraw it, or request correction and the government would hardly be in a position to refuse. Duro Paper Bag Mfg. Co., 65 Comp. Gen. 186 (1986), 86-1 CPD ¶ 6, aff'd, B-221377.2, Feb. 14, 1986, 86-1 CPD ¶ 165; 51 Comp. Gen. 498 (1972).